

AR48

Confederation Life  
Annual Report  
1976

Anticipating the future

## *Anticipating the future*

*ANTICIPATE: make provision for in advance; look forward to, expect. Both shades of meaning apply to our business and reflect, in essence, our role in supplying a wide array of financial services to take care of future needs.*

# 1976 Achievements at a Glance

|  | Stated in '000's of Dollars |            |
|--|-----------------------------|------------|
|  | 1976                        | 1975       |
| <b>NEW BUSINESS—Premiums</b>                                 |                             |            |
| Individual   | \$ 21,602                   | \$ 18,824  |
| Group  | 50,584                      | 62,013     |
| <i>+29%<br/>added of plans<br/>14-million new premium.</i>   |                             |            |
| <b>NEW BUSINESS—Amounts</b>                                  |                             |            |
| Individual   | 921,874                     | 800,786    |
| Group  | 1,661,959                   | 3,316,442  |
| <b>BUSINESS IN FORCE—Amounts</b>                             | 2,583,833                   | 4,117,228  |
| Individual Life  | 5,345,879                   | 4,908,744  |
| Group Life   | 11,864,597                  | 10,224,921 |
| Annuities and Pensions<br>(equivalent basis)                 | 2,614,120                   | 2,427,570  |
| <b>HEALTH INSURANCE IN FORCE</b>                             |                             |            |
| Premiums   | 131,558                     | 109,812    |
| <b>BENEFITS</b>  |                             |            |
| Contractual Payments<br>to Policyowners and<br>Beneficiaries | 242,541                     | 199,838    |
| Individual Dividends<br>to Policyowners                      | 19,981                      | 18,707     |
| <b>ASSETS</b>  | 1,713,846                   | 1,485,332  |
| <b>SURPLUS</b>   | 69,010                      | 66,141     |
| <b>NET RATE OF INTEREST EARNED</b>                           | 7.80%                       | 7.47%      |





## Report of the Directors to Policyowners

The past year, during which Confederation Life completed one hundred and five years of service, was one of significant progress in many areas of the company's operations. There are now more than one and three-quarter million people in Canada, the United States, the Caribbean and the United Kingdom who, along with their dependants, are served by Confederation Life policies.

Among the company's achievements in recent years, the growth of Group life and health business has been outstanding. Confederation Life sold its first Group contract in 1927, fifty years ago, and is now one of the most prominent underwriters of Group insurance in Canada. In 1976 Group sales again exceeded our expectations by a substantial margin although they did not match the extraordinary level of 1975. During the year, to improve further our service to clients, an advanced computer system was introduced for the processing of health claims. The flow of corporate pension funds for Confederation Life investment management continued to be a major source of income, showing an increase of almost 50% over the previous year.

In the Individual lines, further updating of marketing techniques and products was effected, and sales of Individual policies increased in all major areas of operation.

Confederation Life has, for many years, played a major role in the life insurance markets of the Caribbean Islands. Our sales offices in Jamaica and Trinidad have been leaders among all our world-wide branches. In recent years, the attitude of the governments of these two countries towards non-domestic life insurance companies has been such as to create serious uncertainty regarding our ability to recoup the investment we are making in new business. For

this reason, we are currently taking measures which will limit expansion of this business.

Mortality experience in 1976 was favourable, with death claims running below expected levels. Offsetting this positive effect on operating income was the unusually adverse pattern of Group health claims in the United States.

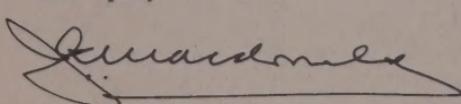
Investment activity during the year reflected the high level of return obtainable on fixed income investments. The amount committed to mortgages reached a record level. Falling interest rates in the latter part of the year brought about increased market values. As a result, at year-end a significant improvement took place in the relationship between the book values and the market values of both bond and common stock holdings.

In July J. Craig Davidson retired as President and Chief Executive Officer as a result of recurring health problems. Much of the success of Confederation Life in recent years can be attributed to Mr. Davidson who served the company for thirty-nine years, the last seven as President. On September 1st John A. Rhind became President and Chief Executive Officer. Mr. Rhind, a former President of the Canadian Life Insurance Association, and a member of the Board of the American Council of Life Insurance, has had thirty years experience in this industry in Canada, the United States and the Caribbean.

The Board was pleased to appoint, in November, Helen D. Phelan as a Director. Mrs. Phelan is prominent in public service and business affairs. Early in 1977 H. C. F. Mockridge will reach the age of mandatory retirement from the Board and will not be standing for re-election at the time of the annual meeting. Mr. Mockridge served effectively as a Director for thirty years and his wise counsel will be missed.

In December it was announced that A. J. Trusler, Vice-President, Investments, would retire early in 1977. Mr. Trusler reached retirement age in 1976 after completing forty-seven years of notable service with the company. Effective January 1st, 1977, John H. Watson was appointed Vice-President, Investments, to replace Mr. Trusler.

The Board of Directors expresses its appreciation to the staff and the field force whose loyalty and dedication have made possible the excellent results achieved by the company.



967-8111

J. K. MACDONALD  
Chairman of the Board





## Report on Operations

In the many marketplaces in which Confederation Life operates, 1976 was a year of continued growth in services offered and business written. This gratifying market performance was accompanied by highly satisfactory overall financial results.

Sales of Individual life insurance amounted to \$21.6 million of new annual premiums in 1976, an increase of 14.8% over 1975. Of this amount, Canadian business accounted for \$6.3 million, an increase of 7.0%. United States sales were \$7.5 million, up 19.3%, United Kingdom \$4.6 million, up 15.8%, and Caribbean \$3.2 million, up 37.7%.

In 1976 our Group sales amounted to some \$51 million in new annual premiums, a figure in excess of our objectives though less than the \$62 million in 1975. A major element in the result for 1975 was one exceptionally large Group policy. Apart from the effect of this one policy, 1976 Group sales represent an increase over the corresponding 1975 figures.

The total amount of Individual life insurance and annuities in force rose 9.3% to \$5.8 billion of sums insured. Group life insurance in force increased 16.0% to \$11.9 billion. Group health premiums in force were \$128.2 million, up 20.1%, and total general and segregated fund assets being managed for Group pensions increased 30.0% to \$454.4 million.

The total income from all sources reached \$542 million, an increase of 20%. Of this amount, \$349 million was premiums from policyowners, \$97 million was segregated fund deposits and investment income, and \$96 million was net investment income on general funds. Payments to policyowners and beneficiaries together with the provision for such future payments increased 22% to \$461 million. Sales and administrative expenses rose 15%

to \$63 million. After making full provision for Canadian corporate taxes, net operating income was \$5,361,000 in 1976 compared to \$6,423,000 in 1975.

Exclusive of segregated funds, assets totalled \$1,361 million, an increase of \$131 million, or 11%. Mortgage activity was at a record level with mortgage loans increasing by \$59 million after allowing for principal repayments. Further emphasis on fixed income investment is indicated by the increase of \$45 million in bonds.

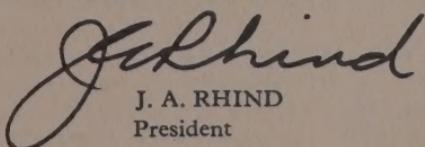
Policy loans reached \$114 million, an increase of \$11 million, the same amount as the increase during the previous year. The net rate of interest earned on the company's assets, after deducting investment expenses, rose to 7.80% from 7.47%.

Net income in segregated fund accounts was \$97 million, compared to \$64 million, and the total market value of segregated fund assets rose to \$353 million.

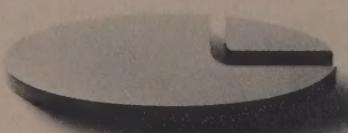
Higher market values for bonds and stocks brought about a reduction in the shortfall between book values and market values. The investment valuation reserve was increased by \$2 million and the contingency reserve by \$5 million. After these, and other adjustments, the balance in the surplus account increased by \$3 million to \$69 million.

Note 4 to the financial statements refers to the profit of \$998,000 arising from the sale, in compliance with recent legislation in Venezuela, of the direct Venezuelan business of Confederation Life to its non-consolidated affiliate company in Venezuela. In addition, this legislation calls for an increase in the local ownership of the shares of our affiliate company. Negotiations are currently under way to reduce our share holding to the required 20%.

The overall picture for 1976 was one of achievement and success in both sales and financial areas. When the depth and quality of personnel resources are also considered, Confederation Life can be viewed as being in a strong position to offer a high level of service and security.

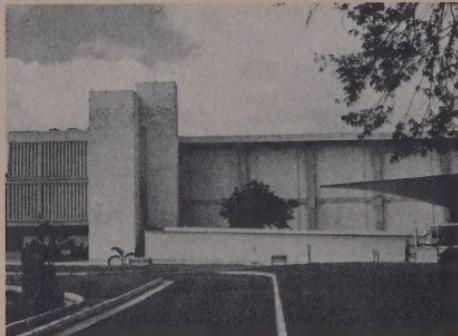


J. A. RHIND  
President

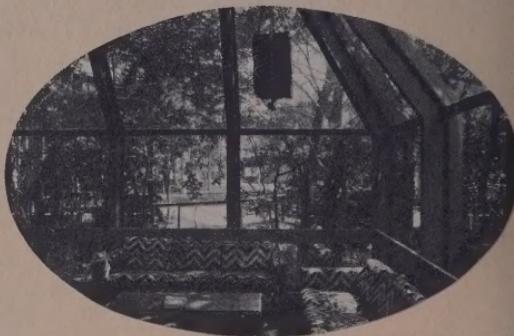




BRISTOL PLACE, TORONTO



BARBADOS TELEPHONE COMPANY



TIMBERCREEK, AUSTIN

## Financed by... Confederation Life

Confederation Life investments touch nearly every phase of industrial and commercial activity. Many support government development programs; others are connected with mining and oil production, with steel and forest products, with providing homes, apartments, shopping malls, sewers, hydro and water services, with constructing hospitals and educational facilities. And, as the real estate and mortgage investments shown above illustrate, they are widely spread geographically, matching the international breadth of our marketing operations.



LANDPORT TERRACE, PORTSMOUTH, U.K.



SANDRINGHAM, MONTREAL



WINDRIDGE,  
AUSTIN



COURTS OF ST. JAMES, WINNIPEG

The capital funds generated by Confederation Life operations perform a significant role in community growth and development. In addition, the successful investment of these funds is a major element in the company's ability to provide competitive products and services. The financial statements on the following pages reflect the contribution made by these investment programs to the overall progress of the company in 1976.



# Consolidated Statement of Operations

for the year ended December 31, 1976

Stated in '000's of Dollars

|   | <u>1976</u>            | <u>1975</u>            |
|---|------------------------|------------------------|
| <b>INCOME</b>   |                        |                        |
| Premiums from Policyowners                                  | \$348,847              | \$303,526              |
| Segregated Investment Funds<br>being Deposits and Income    | 97,006                 | 64,552                 |
| Interest, Dividends and Rents,<br>Less Investment Expenses  | 95,655                 | 82,726                 |
|   | <u>\$541,508</u>       | <u>\$450,804</u>       |
| <b>DISTRIBUTION OF INCOME</b>                               |                        |                        |
| To Policyowners and Beneficiaries                           |                        |                        |
| Death Claims  | \$ 53,497              | \$ 51,567              |
| Endowments Matured  | 8,278                  | 9,038                  |
| Annuity Payments  | 23,333                 | 19,070                 |
| Disability and Health Benefits                              | 116,759                | 88,877                 |
| Surrender Payments  | 34,861                 | 26,332                 |
| Interest to Policyowners                                    | 5,813                  | 4,954                  |
| Increase in Segregated Investment<br>Fund Liabilities       | 82,699                 | 54,791                 |
| Increase in Funds Necessary for<br>Future Contract Payments | 101,643                | 94,754                 |
| Dividends to Policyowners Paid<br>or Set Aside              | 34,158                 | 29,471                 |
| Operating Expenses  |                        |                        |
| Service, Sales and Administration Expenses                  | 63,258                 | 55,070                 |
| Taxes and Licence Fees                                      | 11,848                 | 10,457                 |
|   | <u>\$536,147</u>       | <u>\$444,381</u>       |
| <b>Net Income on Operations</b>                             | <u><b>\$ 5,361</b></u> | <u><b>\$ 6,423</b></u> |

# Consolidated Statement of Surplus

for the year ended December 31, 1976

Stated in '000's of Dollars

|  | <u>1976</u>                | <u>1975</u>                |
|--|----------------------------|----------------------------|
| BALANCE, BEGINNING OF YEAR               | <b>\$66,141</b>            | \$65,840                   |
| Net Income on Operations                 | <b>5,361</b>               | 6,423                      |
| Net Gain on Investments                  | <b>703</b>                 | 2,334                      |
| Gain on Sale of Business (Note 4)        | <b>998</b>                 | Nil                        |
| Transfer to Investment Valuation Reserve | <b>(2,000)</b>             | (12,700)                   |
| Transfer to Contingency Reserve          | <b>(5,000)</b>             | Nil                        |
| Adjustment of Policy Liabilities         | <b>(1,769)</b>             | 3,445                      |
| Reduction of Tax Liabilities (Note 5)    | <b>5,549</b>               | 1,033                      |
| Adjustment for Currency Values           | <b>(973)</b>               | <u>(234)</u>               |
| <br>BALANCE, END OF YEAR                 | <br><b><u>\$69,010</u></b> | <br><b><u>\$66,141</u></b> |

# Consolidated Balance Sheet

as at December 31, 1976

Stated in '000's of Dollars

|  | <u>1976</u>        | <u>1975</u>        |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| Bonds (Note 3)   | \$ 514,460         | \$ 469,043         |
| Stocks (Note 3)  | 73,660             | 60,026             |
| Mortgage Loans   | 493,344            | 434,698            |
| Segregated Investments (Market Value)                      | 353,098            | 255,974            |
| Home Office Property and Computer                          |                    |                    |
| Equipment  | 19,137             | 20,388             |
| Real Estate Investments                                    | 90,183             | 90,478             |
| Loans on Policies  | 114,153            | 103,583            |
| Cash and Bank Short Term Paper                             | 1,032              | 4,373              |
| Interest and Rents Earned but not<br>yet Received          | 20,638             | 18,773             |
| Premiums in Course of Collection                           | 25,915             | 19,256             |
| Other Assets   | 8,226              | 8,740              |
|  | <b>\$1,713,846</b> | <b>\$1,485,332</b> |
| <b>LIABILITIES</b>   |                    |                    |
| Policyowners' Reserves                                     | \$ 970,913         | \$ 880,742         |
| Policy Proceeds, Dividends and Other<br>Amounts on Deposit | 90,736             | 81,850             |
| Segregated Investment Funds                                | 353,098            | 255,974            |
| Policy Claims in Process of Payment                        | 47,245             | 41,956             |
| Provision for Future Disability Income<br>Payments         | 76,800             | 58,424             |
| Provision for Future Dividends to<br>Policyowners          | 29,295             | 29,957             |
| Taxes and Other Liabilities                                | 20,749             | 21,288             |
| Contingency Reserve  | 15,000             | 10,000             |
| Investment Valuation Reserve (Note 3)                      | 41,000             | 39,000             |
| Surplus  | 69,010             | 66,141             |
|  | <b>\$1,713,846</b> | <b>\$1,485,332</b> |

# Notes to Consolidated Financial Statements

1. These financial statements have been prepared on a consolidated basis to include the operations of the Company's wholly-owned life insurance and real estate subsidiaries.
2. Throughout the statements, United States currency is included at the rate of \$1 Canadian to the U.S. dollar. Sterling currency is included at \$2.20 Canadian to the pound (\$2.40 is used in the comparative 1975 figures). If current rates of exchange had been used in the balance sheet, there would have been a minor increase in the surplus shown.
3. Bonds and stocks are valued at amortized cost or less, which values, after deducting the investment valuation reserve, are lower than the values if determined in the manner prescribed by the insurance laws of Canada.
4. In order to comply with legislation recently enacted in Venezuela, the Company has sold its Venezuelan policies to its non-consolidated affiliate in that country. The gain arising on this transaction amounted to \$998,000. The net income related to this business was not material to the consolidated operations.
5. Full provision is made in the consolidated statement of operations for all taxes in respect of the current year's income. The tax effects of investment and other transactions reflected in the consolidated statement of surplus, adjustment of tax liabilities in respect of prior years, and reductions in current tax liabilities arising from the deduction of amounts not previously claimed for tax purposes, are included in the consolidated statement of surplus.

# Actuary's Certificate

I hereby certify that the Policyowners' Reserves and other liabilities under policy contracts included herein are not less than those required by the Canadian and British Insurance Companies Act, and that in my opinion they make good and sufficient provision for all unmatured obligations of the Company.

Toronto, Canada  
January 26, 1977

M. Rosenfelder  
Corporate Vice-President  
Actuarial, Statements & Taxation

# Auditors' Report

To the Policyowners and Directors  
of Confederation Life Insurance Company

We have examined the consolidated balance sheet of Confederation Life Insurance Company as at December 31, 1976 and the consolidated statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the amounts required to provide for policyowners' reserves and other liabilities under policy contracts were determined and certified by the Company's Actuary.

In our opinion, based on our examination and the certificate of the Company's Actuary, these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada  
January 26, 1977

Clarkson, Gordon & Co.,  
Chartered Accountants

# Board of Directors

J. K. MACDONALD  
Chairman of the Board

JOHN A. RHIND  
President and Chief Executive Officer

DONALD A. MCINTOSH, Q.C.  
Vice-President  
Partner, Fraser & Beatty

J. PAGE R. WADSWORTH  
Vice-President  
Director, Canadian Imperial Bank of Commerce

CLAUDE T. BISSELL, C.C.,  
Ph.D., D.Litt., D. ès L., LL.D., F.R.S.C.  
Former President, University of Toronto

ROBERT F. CHISHOLM, O.B.E.  
Chairman, Thompson Packaging Inc.

PIERRE P. DAIGLE  
Vice-President and General Manager  
City National Leasing Limited  
Montreal

ANTHONY F. GRIFFITHS  
Chairman and Chief Executive Officer  
Canadian Cablesystems Limited

C. MALIM HARDING, O.B.E.  
Chairman of the Board  
Harding Carpets Limited

THOMAS E. LADNER,  
D.S.C., Q.C.  
Partner, Ladner Downs  
Vancouver

GEORGE E. MARA  
Chairman, Jannock Corporation Limited

H. C. F. MOCKRIDGE, Q.C.  
Partner, Osler, Hoskin & Harcourt

ANDRÉ MONAST, Q.C.  
Partner, St-Laurent, Monast, Walters & Vallières Quebec

SIR RALPH PERRING, Bt.  
Chairman, Perring Furnishings Limited  
London, England

MRS. HELEN D. PHELAN  
Chairman, Percy R. Gardiner Foundation

RAY D. WOLFE  
Chairman and Chief Executive Officer  
The Oshawa Group Limited

*Abskins*

# Executive Officers

---

J. A. RHIND  
President and Chief Executive  
Officer

R. M. BELL, Q.C.  
Vice-President,  
General Counsel and Secretary

P. D. BURNS  
Vice-President,  
Canadian Operations

J. B. HEARD  
Vice-President,  
Personnel

P. W. LLOYD  
Vice-President,  
United States and  
Caribbean Operations

A. J. TRUSLER  
Vice-President,  
Investments

D. E. WATTS  
Vice-President,  
Corporate

P. WORTMAN  
Vice-President and  
General Manager for the  
United Kingdom



## Confederation Life's International Operations

Confederation Life's field organization consists of:  
193 Individual sales offices, 22 Group sales offices, 13  
Claims and Service offices and 7 Investment offices. In  
addition, the Venezuelan affiliate company, VENEZCO,  
has 5 sales offices.

*Any adequate perspective on the future recognizes broad areas of uncertainty where the individual can have little direct influence on the course of events. On the other hand, the individual essentially retains responsibility for doing something constructive about his own future prospects. It is here that Confederation Life is an important catalyst. By offering a wide range of financial services in the best tradition, we encourage people to anticipate future requirements and make adequate plans to meet them.*



**Confederation** Life  
INSURANCE COMPANY



Pour recevoir ce Rapport annuel en français,  
il suffit d'en faire la demande.

A copy of the Annual Report in French is available on request.

- est 1975 pour policiers
- slow down in grip sale
- Tessalon & Savaria
- lechie i repes



**Confederation Life**

INSURANCE COMPANY

A MUTUAL COMPANY INCORPORATED IN CANADA IN 1871  
321 BLOOR STREET EAST, TORONTO, CANADA M4W 1H1